

MINUTES OF THE MEETING OF THE STRATEGIC PLANNING COMMITTEE OF CAREFIRST, INC.  
THURSDAY, FEBRUARY 22, 2001  
AT ITS HEADQUARTERS IN OWINGS MILLS, MARYLAND

Members Present: Charles W. Shivery (Chairman); Daniel Altobello; Edward J. Baran; Max S. Bell, Jr., Esq.; M.S.; Roger C. Lipitz; Patricia E. Lund, Ed.D., R.N.; Robert H. Naftaly; Robert F. Rider (Finance Committee); James C. Simpson (Finance Committee)

Also Present: William L. Jews; Mark Chaney; Gregory A. Devou; Leon Kaplan; Paul King; John A. Picciotto; David D. Wolf; Sandy Beard; Benjamin Adams; Elizabeth Grieb; Larry Levine; Patrick McMullan; Michael Muntner; Stuart Smith

The meeting was called to order by Chairman Shivery.

Staff and advisor presentations were made through the use of a handout which had previously been distributed to the Committee, and which is made a part of these minutes.

The minutes from the November 21<sup>st</sup>, 2000 Committee meeting were approved as amended, and the minutes from the January 1<sup>st</sup>, 2001 Committee meeting were approved as submitted.

Mr. Shivery reminded the group that the meeting provides a forum to ensure that any outstanding questions regarding CareFirst's strategic expansion activities are addressed to the Committee members' satisfaction.

Mr. McMullan, from Credit Suisse First Boston (CSFB)—CareFirst's investment banker—recapped progress to date. He reminded the group that the early analysis of Highmark yielded virtually no market or economic synergies, and that their organizational structure would hamper future ability to adapt to market conditions and generate capital. Mr. McMullan discussed Anthem's uncertain future and demutualization timeframe, as well as their probable inability to fund a transaction with CareFirst. He added that CSFB and CareFirst's analyses of Anthem's strategic direction indicated that there was not a strategic fit with CareFirst. As a result, CSFB wrote to CareFirst opining that CareFirst not pursue an Anthem option at this time. He contrasted Highmark and Anthem with WellPoint and Trigon, both of which represent significant synergies and capital-generating abilities. Mr. McMullan concluded with CSFB's assessment that either WellPoint or Trigon would be suitable expansion partners for CareFirst, and that Highmark and Anthem are less attractive.

Mr. Wolf shared corporate overviews of both WellPoint and Trigon with the group. Based on preliminary due diligence activities early in 2001, the findings show that both plans perform well financially, and are well-regarded by investors. Both plans have strong underwriting capabilities, as reflected in relatively low medical loss ratios. Additionally, both plans have administrative expense ratios in excess of CareFirst's, reflective of their relatively more complex organizational structure. Key differences include WellPoint's prior experience in merger integration, a factor absent for Trigon. Trigon, however, presents significant geographic marketing synergy opportunities, whereas WellPoint does not. Mr. Altobello inquired if a valuation of CareFirst had been developed based on these findings. Mr. McMullan gave the Committee his opinion based on several methodologies.

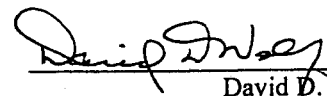
Mr. McMullan then reviewed the key criteria proposed to evaluate merger candidates. They include alignment with CareFirst's strategic goals, the business case, realization of economic benefit, "do-ability", governance participation, alignment with the long-term strategy, and the impact on subscribers in

terms of products and pricing. He remarked that for CareFirst to retain the status quo would not achieve revenue and capital requirements stated in CareFirst's long-term strategy, while a merger with either Trigon or WellPoint would significantly achieve all of the goals. Mr. Lipitz remarked that CSFB needs to apply the criteria to all of CareFirst's multiple stakeholders to ensure we can address their concerns and requirements. The Committee agreed, and Mr. Jews provided a brief overview of progress to date.

Mr. McMullan proceeded with an analysis of likely actions potential acquirors/acquirees in the marketplace would take if CareFirst undertook a merger with either WellPoint or Trigon. The consensus is that if either Trigon or WellPoint is selected, the remaining suitor is likely to attempt to enter the market space via alternate means.

Mr. McMullan concluded with an overview of next steps. The bidding procedures letter and merger agreement were sent to both WellPoint and Trigon on February 20<sup>th</sup>, and a response is expected in early March. Subsequently, confirmatory due diligence and special meetings of the Strategic Planning Committee and Board will be necessary to establish direction, and finalize negotiations if the Board approves a transaction. CSFB recommends that the parties be in a position to execute an agreement on a Friday so implementation of a media/announcement plan can commence on a Sunday, prior to the Monday market opening.

There being no further business, the meeting adjourned at 11:40 a.m.

  
David D. Wolf  
EVP, Medical Systems and  
Corporate Development